

Waytronx, Inc.  
Form 10-Q  
May 08, 2009

WAYTRONX, INC.

UNITED STATES SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

FORM 10-Q

QUARTERLY REPORT UNDER SECTION 13 OR 15(D)  
OF THE SECURITIES EXCHANGE ACT OF 1934

For quarter ended March 31, 2009

Commission File Number 0-29195

WAYTRONX, INC.

(Name of Small Business Issuer in Its Charter)

Colorado  
(State or jurisdiction of  
incorporation or organization)

(3990)  
(Primary Standard Industrial  
Classification Code Number)

84-1463284  
(I.R.S. Employer  
Identification No.)

20050 SW 112th Avenue  
Tualatin, Oregon 97062  
(503) 612-2300.

(Address and Telephone Number of Principal Executive Offices and Principal Place of Business)

William J. Clough, CEO/President  
Waytronx, Inc.  
20050 SW 112th Avenue  
Tualatin, Oregon 97062  
(503) 612-2300.

(Name, Address and Telephone Number of Agent for Service)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15 (d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

YES  NO

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

YES  NO

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange act.

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Large accelerated filer

Accelerated filer

Non-accelerated filer  (Do not check if a smaller reporting company)

Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

YES  NO

As of March 31, 2009, there were 166,698,406 shares of the Company's common stock outstanding, 50,543 shares of Series A Convertible Preferred Stock outstanding, no shares of Series B and Series C Convertible Preferred Stock outstanding.

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## WAYTRONX, INC.

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## PART I. FINANCIAL INFORMATION

## Item 1. Financial Statements

Waytronx, Inc.  
Condensed Consolidated Balance Sheets

	March 31, 2009 (unaudited)	December 31, 2008
<b>Assets:</b>		
<b>Current Assets:</b>		
Cash and cash equivalents	\$ 168,891	\$ 599,200
Trade accounts receivable, net of allowance of \$135,000	2,549,035	2,762,416
Other accounts receivable	305,132	110,952
Other accounts receivable, related party	195,193	194,984
Inventories, net	3,629,464	4,077,367
Prepaid expenses and other	378,572	186,520
<b>Total current assets</b>	<b>7,226,287</b>	<b>7,931,439</b>
Property and equipment, net	1,173,633	1,245,203
<b>Other assets:</b>		
Investment - equity method	112,441	120,499
Technology rights, net	4,074,574	4,134,202
Patent costs, net	554,696	558,269
Other intangible assets, net	23,800	27,878
Deposits and other	20,934	40,411
Notes receivable, net	182,025	182,025
Debt offering costs, net	1,448,291	1,618,678
Goodwill, net	32,280,955	32,281,148
<b>Total other assets</b>	<b>38,697,716</b>	<b>38,963,110</b>
<b>Total assets</b>	<b>\$ 47,097,636</b>	<b>\$ 48,139,752</b>
<b>Liabilities and stockholders' equity:</b>		
<b>Current liabilities:</b>		
Accounts payable	\$ 665,136	\$ 1,106,114
Preferred stock dividends payable	5,054	5,054
Demand notes payable	1,510,210	1,373,993
Accrued expenses	1,880,382	1,912,592
Accrued compensation	710,001	770,625
Notes payable, current portion due	50,154	49,200
Notes payable, related party, current portion due	1,127,149	1,197,865
Convertible notes payable, net of discounts of \$0 and \$0, respectively	1,350,000	1,350,000
<b>Total current liabilities</b>	<b>7,298,086</b>	<b>7,765,443</b>
Long term notes payable, net of current portion due of \$50,154 and \$49,200,	6,082,838	6,095,740
Long term notes payable, related party, net of current portion due of \$127,149 and \$197,865 and discounts of \$571,071 and \$638,255,	13,057,013	13,022,465
Long term convertible notes payable, related party, net of discounts of \$5,110,196 and \$5,711,395, respectively	12,389,804	11,788,605
<b>Total liabilities</b>	<b>38,827,741</b>	<b>38,672,253</b>

Commitments and contingencies	-	-
Stockholders' equity:		
Preferred stock, par value \$0.001; 10,000,000 shares authorized	-	-
Convertible Series A preferred stock, 5,000,000 shares authorized, 50,543 shares issued and outstanding liquidation preference of \$50,543 at March 31, 2009 and December 31, 2008, respectively	51	51
Convertible Series B preferred stock, 30,000 shares authorized, and no shares outstanding at March 31, 2009 and December 31, 2008, respectively	-	-
Common stock, par value \$0.001; 325,000,000 and 200,000,000 shares authorized and 166,698,406 and 166,208,406 shares issued and outstanding at March 31, 2009 and December 31, 2008, respectively	166,698	166,208
Additional paid-in capital	59,937,947	59,849,326
Subscription receivable		-
Accumulated deficit	(51,834,801)	(50,548,086)
Total stockholders' equity	8,269,895	9,467,499
Total liabilities and stockholders' equity	\$ 47,097,636	\$ 48,139,752

See accompanying notes to financial statements

Waytronx, Inc.  
Condensed Statement of Operations  
(unaudited)

	For the three months ended March 31,	
	2009 Consolidated	2008
<b>Revenues:</b>		
Product Sales	\$ 6,087,403	\$ 60,645
Revenue from freight	37,647	-
Total revenue	6,125,050	60,645
Cost of revenues	3,656,155	82,083
<b>Gross profit (loss)</b>	<b>2,468,895</b>	<b>(21,438)</b>
<b>Operating expenses</b>		
Selling, general and administrative	2,371,165	603,999
Research and development	83,399	341,184
Bad debt	37,743	91,500
Total operating expenses	2,492,307	1,036,683
<b>Profit (loss) from operations</b>	<b>(23,412)</b>	<b>(1,058,121)</b>
<b>Other income (expense)</b>		
Other income	45,485	2,378
Other expense	(33)	-
Investment income (loss)	(8,058)	-
Interest expense - intrinsic value of convertible debt, amortization of debt offering costs and amortization of debt discount	(838,771)	(58,967)
Interest expense	(461,926)	(83,313)
Total other income (expense), net	(1,263,303)	(139,902)
<b>Net profit (loss)</b>	<b>(1,286,715)</b>	<b>(1,198,023)</b>
Preferred stock dividends	-	-
Net profit (loss) allocable to common stockholders	\$ (1,286,715)	\$ (1,198,023)
Basic and diluted profit (loss) per common share	\$ (0.01)	\$ (0.01)
Weighted average common shares outstanding - basic and diluted	166,584,406	159,559,925

See accompanying notes to financial statements

Waytronx, Inc.  
Condensed Statements of Cash Flows  
(unaudited)

	For the three months ended March 31,	
	2009	2008
	Consolidated	
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Net profit (loss)	\$ (1,286,715)	\$ (1,198,023)
Adjustments to reconcile net profit (loss) to net cash used in operating activities:		
Stock, warrants, options and notes issued for compensation and services	84,212	196,208
Non-cash interest expense, including amortization of beneficial conversion value, warrant related debt discounts and intrinsic value of convertible debt and amortization of debt discount and amortization of debt offering costs	838,771	47,760
Non-cash loss on securities available for sale	8,058	-
Bad debt expense	37,743	91,500
Amortization of technology rights	59,628	59,629
Amortization of patent costs	4,474	5,719
Amortization of website development	3,578	3,578
Compensation and services expense payable in common stock	-	6,250
Depreciation	93,332	7,001
Amortization of goodwill	193	-
(Increase) decrease in assets:		
Trade accounts receivable	(18,542)	(23,088)
Other accounts receivable, related party	(209)	-
Inventory	447,903	75,930
Prepaid expenses and other current assets	(192,052)	(34,071)
Deposits and other assets	19,477	11,254
Increase (decrease) in liabilities:		
Accounts payable	(440,978)	105,811
Accrued expenses	(32,210)	55,403
Accrued compensation	(60,624)	(32,102)
Deferred revenues	-	(11,070)
<b>NET CASH USED IN OPERATING ACTIVITIES</b>	<b>(433,961)</b>	<b>(632,311)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Investment in patents	(901)	(26,928)
Purchase of property and equipment	(21,263)	-
<b>NET CASH USED IN INVESTING ACTIVITIES</b>	<b>(22,164)</b>	<b>(26,928)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Proceeds from demand notes payable	136,217	-
Proceeds from notes and loans payable, related party	-	75,000
Payments on notes and loans payable	(11,948)	-
Payments on notes and loans payable, related party	(103,353)	-
Proceeds from sales of common stock and exercise of warrants and options, net of offering costs	4,900	578,000
<b>NET CASH PROVIDED BY FINANCING ACTIVITIES</b>	<b>25,816</b>	<b>653,000</b>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>(430,309)</b>	<b>(6,239)</b>

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Cash and cash equivalents at end of year		599,200		42,639
Net increase (decrease) in cash and cash equivalents	\$	168,891	\$	36,400

(continued)

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Waytronx, Inc.  
 Condensed Statements of Cash Flows (continued)  
 (unaudited)

For the three months ended March 31,  
 2009                      2008  
 Consolidated

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Income taxes paid	\$ -	\$ -
Interest paid	\$ 331,304	\$ 27,500
SUPPLEMENTAL DISCLOSURE OF NON-CASH INVESTING AND FINANCING ACTIVITIES:		
Discount on debt for intrinsic value of convertible notes payable	\$ 668,384	\$ 11,208
Amortization of debt offering costs	\$ 170,387	\$ -
Common stock issued for conversion of Series A preferred stock and dividends	\$ -	\$ 25
Common stock issued for services and compensation	\$ -	\$ 125,000

See accompanying notes to financial statements

Waytronx, Inc.  
Notes to the Condensed Consolidated Financial Statements  
(Unaudited)

1. BASIS OF PRESENTATION AND GOING CONCERN

Waytronx, Inc. (formerly known as OnScreen Technologies, Inc.) has pioneered and is commercializing innovative thermal management solutions capable of revolutionizing the LED display, semiconductor and electronic packaging industries. Utilizing patented and patent-pending thermal technologies and architecture we have developed highly advanced, proprietary LED display solutions and cooling applications. Waytronx is primarily focused on the commercialization of their innovative thermal cooling technology, WayCool.

Effective May 16, 2008, Waytronx, Inc. formed a wholly owned subsidiary, Waytronx Holdings, Inc., to acquire the assets of CUI, Inc., a Tualatin, Oregon based provider of electronic components including power supplies, transformers, converters, connectors and industrial controls for Original Equipment Manufacturers (OEMs). The wholly owned subsidiary was renamed CUI, Inc. following the close of the acquisition.

The accompanying financial statements have been prepared on the assumption that Waytronx will continue as a going concern. As reflected in these financial statements, we had a net loss of \$1,286,715 and cash used in operations of \$433,961 for the three months ended March 31, 2009, and an accumulated deficit of \$51,834,801 at March 31, 2009. These factors raise substantial doubt about our ability to continue as a going concern which is dependent upon the ability to bring the WayCool products to market, generate increased sales, obtain positive cash flow from operations and raise additional capital as well as grow CUI sales. The financial statements do not include any adjustments that may result from the outcome of this uncertainty.

If necessary, we will continue to raise additional capital to provide sufficient cash to meet the funding required to commercialize our technology product lines. As we continue to expand and develop technology and product lines, additional funding may be required. There has been negative cash flows from operations and recurring net losses in the past and there can be no assurance as to the availability or terms upon which additional financing and capital might be available if needed.

The accompanying unaudited financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America and the rules and regulations of the United States Securities and Exchange Commission for interim financial information which includes condensed financial statements. Accordingly, they do not include all the information and footnotes necessary for a comprehensive presentation of financial position and results of operations and should be read in conjunction with the Annual Report, Form 10-KSB for the year ended December 31, 2008 as well as filings made related to the acquisition of CUI, Inc.

It is management's opinion that all material adjustments (consisting of normal recurring adjustments) have been made which are necessary for a fair financial statement presentation. The results for the interim period are not necessarily indicative of the results to be expected for the year.

## 2.ACCOUNTING POLICIES

### Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Significant estimates in 2009 and 2008 include estimates used to review the Company's long-lived assets for impairment, inventory valuation, valuations of non-cash capital stock issuances, valuations of derivatives and the valuation allowance on deferred tax assets.

### Principles of Consolidation

The consolidated financial statements include the accounts of Waytronx, Inc. and its wholly owned subsidiary CUI, Inc. (for the period May 16, 2008 to March 31, 2009) hereafter referred to as the "Company". Significant intercompany accounts and transactions have been eliminated in consolidation.

### Fair Value of Financial Instruments

The carrying amounts of the Company's cash and cash equivalents, accounts receivable, restricted cash, prepaid expense and other assets, accounts payable, accrued liabilities, notes payable and deferred compensation approximate their fair value due as of March 31, 2009 because of their short-term natures.

### Cash

Cash includes deposits at financial institutions with maturities of three months or less. The Company at times has cash in banks in excess of FDIC insurance limits and places its temporary cash investments with high credit quality financial institutions. At March 31, 2009, the Company had no cash balances at financial institutions which were in excess of the FDIC insured limits. However, the Company maintained balances of \$106,103 in foreign financial institutions.

### Accounts Receivable

The Company grants credit to its customers, with standard terms of Net 30 days. The Company routinely assesses the financial strength of its customers and, therefore, believes that its accounts receivable credit risk exposure is limited.

### Inventory

Inventories consist of finished products and are stated at the lower of cost or market; using the first-in, first-out (FIFO) method as a cost flow convention. Inventory consists of finished goods.

### Furniture, Equipment and Software

Furniture, equipment and software are recorded at cost and include major expenditures, which increase productivity or substantially increase useful lives.

Maintenance, repairs and minor replacements are charged to expenses when incurred. When furniture and equipment is sold or otherwise disposed of, the asset and related accumulated depreciation are removed from this account, and any gain or loss is included in the statement of operations.

The cost of furniture, equipment and software is depreciated over the estimated useful lives of the related assets. Depreciation is computed using the straight-line method for financial reporting purposes. The estimated useful lives and accumulated depreciation for furniture, equipment and software are as follows:

	Estimated Useful Life
Furniture and equipment	5 to 7 years
Software	3 to 5 years

#### Identifiable Intangible Assets

Intangible assets are stated at cost net of accumulated amortization and impairment. Intangible assets other than goodwill, technology rights and patents are amortized over an estimated useful life of 15 years. Technology rights are amortized over a twenty year life and are reviewed for impairment annually. Patent costs are amortized over the life of the patent. Any patents not approved will be expensed at that time.

Intangible assets consist of the following as of March 31, 2009:

Technology Rights	\$ 4,943,965
Accumulated amortization	(869,391)
Net	\$ 4,074,574
Patent costs	\$ 585,245
Accumulated amortization	(30,549)
Net	\$ 554,696
Debt offering costs	\$ 2,044,646
Accumulated amortization	(596,355)
Net	\$ 1,448,291
Goodwill	\$ 32,282,686
Accumulated amortization	(1,731)
Net	\$ 32,280,955
Other intangible assets	\$ 72,933
Accumulated amortization	(49,133)
Net	\$ 23,800

#### Investment in Affiliate

Through the acquisition of CUI, Inc. the Company obtained 352,589 common shares representing a 10.47% interest in Test Products International, Inc., hereafter referred to as TPI. TPI is a provider of handheld test and measurement equipment. The Company also has a demand receivable from TPI of \$179,726 as of March 31, 2009. The Company enjoys a close association with this affiliate through common Board of Director membership and participation, that allows for a significant amount of influence over affiliate business decisions. Accordingly, for financial statement purposes, the Company accounts for its investment in this affiliated entity under the equity method.

A summary of the unaudited financial statements of the affiliate as of March 31, 2009 is as follows:

Current assets	\$ 6,758,832
Non-current assets	776,795
<b>Total Assets</b>	<b>\$ 7,535,627</b>
<b>Current liabilities</b>	<b>\$ 5,210,573</b>
Non-current liabilities	1,126,346
Stockholders' equity	1,198,708
<b>Total Liabilities and Stockholders' Equity</b>	<b>\$ 7,535,627</b>
Revenues	\$ 1,556,080
<b>Operating Loss</b>	<b>(177,428)</b>
Net Loss	(76,963)
<b>Company share of Net Loss at 10.47%</b>	<b>(8,058)</b>
Equity investment in affiliate	\$ 112,441

#### Asset Impairment

The Company reviews its long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of the asset exceeds its fair value and may not be recoverable. In performing the review for recoverability, the future cash flows expected to result from the use of the asset and its eventual disposition are estimated. If the sum of the expected future cash flows (undiscounted and without interest charges) is less than the carrying amount of the asset, an impairment loss is recognized as the excess of the carrying amount over the fair value. Otherwise, an impairment loss is not recognized. Management estimates the fair value and the estimated future cash flows expected. Any changes in these estimates could impact whether there was impairment and the amount of the impairment.

#### Patent Costs

The Company estimates the patents it has filed have a future beneficial value; therefore it capitalizes the costs associated with filing for its patents. At the time the patent is approved, the patent costs associated with the patent are amortized over the useful life of the patent. If the patent is not approved, at that time the costs will be expensed. A change in the estimate of the patent having a future beneficial value will impact the other assets and expense accounts.

#### Derivative Liabilities

The Company accounts for its embedded conversion features and freestanding warrants pursuant to SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities", which requires a periodic valuation of the fair value of derivative instruments and a corresponding recognition of liabilities associated with such derivatives. The recognition of derivative liabilities related to the issuance of shares of common stock is applied first to the proceeds of such issuance, at the date of issuance, and the excess of derivative liabilities over the proceeds is recognized as other expense in the accompanying consolidated financial statements. The recognition of derivative liabilities related to the issuance of convertible debt is applied first to the proceeds of such issuance as a debt discount, at the date of issuance, and the excess of derivative liabilities over the proceeds is recognized as other expense in the accompanying consolidated financial statements. Any subsequent increase or decrease in the fair value of the derivative liabilities is recognized as other expense or other income, respectively. The reclassification of a contract is reassessed at each balance sheet date. If a contract is reclassified from permanent equity to an asset or a liability, the change in the fair value of the contract during the period the contract was classified as equity is accounted for as an adjustment to equity. If a contract is reclassified from an asset or liability to equity, gains or losses recorded to account for the contract at fair value during the period that contract was classified as an asset or a liability are not reversed but instead are accounted for as an adjustment to equity.

#### Revenue Recognition

The recognition of revenues requires judgment, including whether a sale includes multiple elements, and if so, whether vendor-specific objective evidence (VSOE) of fair value exists for those elements. Customers receive certain elements of Waytronx products over a period of time. These elements include licensing rights to manufacture and sell our proprietary patent protected products. The ability to identify VSOE for those elements and the fair value of the respective elements could materially impact the amount of earned and unearned revenue. Waytronx does not have any history as to the costs expected to be incurred in granting licensing rights relating to its products. Therefore, revenues may be recorded that are not in proportion to the costs expected to be incurred in performing these services.

Revenues in connection with electronic devices and component sales by CUI, Inc. are recognized at the time the product is shipped to the customer.

#### Shipping and Handling Costs

Amounts billed to customers in sales transactions related to shipping and handling represent revenues earned for the goods provided and are included in sales. Costs of shipping and handling are included in cost of revenues.

#### Stock issued for services to other than Employees

Common stock, stock options and common stock warrants issued to other than employees or directors are recorded on the basis of their fair value, as required by SFAS No. 123(R), which is measured as of the date required by EITF Issue 96-18, "Accounting for Equity Instruments That Are Issued to Other Than Employees for Acquiring, or in Conjunction with Selling, Goods or Services." In accordance with EITF 96-18, the stock options or common stock warrants are valued using the Black-Scholes option pricing model on the basis of the market price of the underlying common stock on the "valuation date," which for options and warrants related to contracts that have substantial disincentives to non-performance is the date of the contract, and for all other contracts is the vesting date. Expense related to the options and warrants is recognized on a straight-line basis over the shorter of the period over which services are to be received or the vesting period. Where expense must be recognized prior to a valuation date, the expense is computed under the Black-Scholes option pricing model on the basis of the market price of the underlying common stock at the end of the period, and any subsequent changes in the market price of the underlying common stock up through the valuation date is reflected in the expense recorded in the subsequent period in which that change occurs.

#### Foreign Currency Translation

The financial statements of the Company's foreign offices have been translated into U.S. dollars in accordance with SFAS No. 52, Foreign Currency Translation (SFAS 52). All balance sheet accounts have been translated using the exchange rate in effect at the balance sheet date. Income statement amounts have been translated using an appropriately weighted average exchange rate for the year. The translation gains and losses resulting from the changes in exchange rates during 2009 have been reported in accumulated other comprehensive income, except for gains and losses resulting from the translation of intercompany receivables and payables, which are included in earnings for the period.

### Segment Reporting

Upon the acquisition of CUI, Inc., Waytronx now has operating segments to report. The Company has identified four operating segments based on the products offered. The four segments are External Power, Internal Power, Industrial Controls and Other. The External Power segment is focused primarily on sales of external power supplies and related components. The Internal Power segment is focused primarily on sales of internal power supplies and related components. The Industrial Controls segment is focused primarily on sales of encoding devices and related components. The Other category represents activity of segments that do not meet the threshold for segment reporting and are combined. For the three months ended March 31, 2008, the Company only had one segment.

The following information is presented for the three months ended March 31, 2009 for operating segment activity:

	External Power	Internal Power	Industrial Controls	Other	Totals
Revenues from external customers	\$ 3,381,718	\$ 1,515,120	\$ 847,948	\$ 380,264	\$ 6,125,050
Intersegment revenues	\$ -	\$ -	\$ -	\$ -	\$ -
Derivative income	\$ -	\$ -	\$ -	\$ -	\$ -
Interest revenues	\$ -	\$ -	\$ -	\$ 6,818	\$ 6,818
Equity in losses of unconsolidated affiliate	\$ -	\$ -	\$ -	\$ (8,058)	\$ (8,058)
Interest expense - intrinsic value of convertible debt and amortization of debt discount	\$ -	\$ -	\$ -	\$ 838,771	\$ 838,771
Interest expense	\$ -	\$ -	\$ -	\$ 461,926	\$ 461,926
Depreciation and amortization	\$ -	\$ -	\$ -	\$ 161,205	\$ 161,205
Segment profit (loss)	\$ 806,757	\$ 170,735	\$ 78,020	\$ (2,342,227)	\$ (1,286,715)
Other significant non-cash items:					
Stock, warrants and notes issued for compensation and services	\$ -	\$ -	\$ -	\$ 84,212	\$ 84,212
Segment assets	\$ -	\$ -	\$ -	\$ 47,097,636	\$ 47,097,636
Expenditures for segment assets	\$ -	\$ -	\$ -	\$ 22,164	\$ 22,164

The operating segments do not hold assets individually as segment assets as all Company assets are utilized for each segment.

### Recent Accounting Pronouncements

In December 2007, the Financial Accounting Standards Board (FASB) issued SFAS No. 160, "Noncontrolling Interests in Consolidated Financial Statements – an amendment of ARB No. 51". This statement improves the relevance, comparability, and transparency of the financial information that a reporting entity provides in its consolidated financial statements by establishing accounting and reporting standards that require; the ownership interests in subsidiaries held by parties other than the parent and the amount of consolidated net income attributable to the parent and to the noncontrolling interest be clearly identified and presented on the face of the consolidated statement of income, changes in a parent's ownership interest while the parent retains its controlling financial interest in its subsidiary be accounted for consistently, when a subsidiary is deconsolidated, any retained noncontrolling equity investment in the former subsidiary be initially measured at fair value, entities provide sufficient disclosures that clearly identify and distinguish between the interests of the parent and the interests of the noncontrolling owners. SFAS No. 160 affects those entities that have an outstanding noncontrolling interest in one or more

subsidiaries or that deconsolidate a subsidiary. SFAS No. 160 is effective for fiscal years, and interim periods within those fiscal years, beginning on or after December 15, 2008. Early adoption is prohibited. The adoption of this statement did not have a material effect on the Company's financial statements.



In March 2008, the FASB issued SFAS No. 161, "Disclosures about Derivative Instruments and Hedging Activities, an amendment of FASB Statement No. 133" (SFAS 161). This statement is intended to improve transparency in financial reporting by requiring enhanced disclosures of an entity's derivative instruments and hedging activities and their effects on the entity's financial position, financial performance, and cash flows. SFAS 161 applies to all derivative instruments within the scope of SFAS 133, "Accounting for Derivative Instruments and Hedging Activities" (SFAS 133) as well as related hedged items, bifurcated derivatives, and nonderivative instruments that are designated and qualify as hedging instruments. Entities with instruments subject to SFAS 161 must provide more robust qualitative disclosures and expanded quantitative disclosures. SFAS 161 is effective prospectively for financial statements issued for fiscal years and interim periods beginning after November 15, 2008, with early application permitted. The adoption of this statement did not have a material effect on the Company's financial statements.

In May 2008, the FASB issued SFAS No. 162, "The Hierarchy of Generally Accepted Accounting Principles." SFAS No. 162 identifies the sources of accounting principles and provides entities with a framework for selecting the principles used in preparation of financial statements that are presented in conformity with GAAP. The current GAAP hierarchy has been criticized because it is directed to the auditor rather than the entity, it is complex, and it ranks FASB Statements of Financial Accounting Concepts, which are subject to the same level of due process as FASB Statements of Financial Accounting Standards, below industry practices that are widely recognized as generally accepted but that are not subject to due process. The Board believes the GAAP hierarchy should be directed to entities because it is the entity (not its auditors) that is responsible for selecting accounting principles for financial statements that are presented in conformity with GAAP. SFAS 162 is effective 60 days following the SEC's approval of PCAOB Auditing Standard No. 6, Evaluating Consistency of Financial Statements (AS/6). The adoption of FASB 162 is not expected to have a material impact on the Company's financial position.

In May 2008, the FASB issued SFAS No. 163, "Accounting for Financial Guarantee Insurance Contracts-an interpretation of FASB Statement No. 60." Diversity exists in practice in accounting for financial guarantee insurance contracts by insurance enterprises under FASB Statement No. 60, Accounting and Reporting by Insurance Enterprises. This results in inconsistencies in the recognition and measurement of claim liabilities. This Statement requires that an insurance enterprise recognize a claim liability prior to an event of default (insured event) when there is evidence that credit deterioration has occurred in an insured financial obligation. This Statement requires expanded disclosures about financial guarantee insurance contracts. The accounting and disclosure requirements of the Statement will improve the quality of information provided to users of financial statements. SFAS 163 is effective for financial statements issued for fiscal years beginning after December 15, 2008, and interim periods within those fiscal years. The adoption of FASB 163 did not have a material impact on the Company's financial position.

3.

## ACQUISITION

Effective May 16, 2008, Waytronx acquired CUI, Inc. The funding for this acquisition was provided by a \$6,000,000 bank note, a \$14,000,000 seller's note, and a \$17,500,000 convertible seller's note. The following details the acquisition:

Purchase price	\$ 37,500,000
Cash	183,531
Accounts receivable, trade	2,206,176
Accounts receivable, other	1,159,851
Inventory	2,654,325
Other current assets	115,666
Property & equipment, net	1,340,313
Deposits and other assets	50,297
Technology rights	51,222
Equity investment in affiliate	122,119
Goodwill	23,544,300
Goodwill trademark and tradename CUI	4,892,856
Goodwill trademark and tradename V-Infinity	1,373,828
Goodwill patent pending technology	761,962
Goodwill customer list/base	2,103,237
Liabilities assumed	(3,059,683)
	\$ 37,500,000

The table below summarizes the unaudited pro forma information of the results of operations for the three months ended March 31, 2008 as though the acquisition had been completed as of January 1, 2008:

	2008
Gross revenue	\$ 6,297,686
Total expenses	7,094,103
Net profit (loss) before taxes	\$ (796,417)
Earnings per share	\$ (0.00)

4.

## INCOME (LOSS) PER COMMON SHARE

Common stock equivalents in the three months ended March 31, 2009 and 2008, were anti-dilutive, thus the diluted weighted average common shares outstanding in these periods are the same as the basic weighted average common shares outstanding.

At March 31, 2009 and 2008, respectively, 102,536,736 and 20,086,873 potential common stock shares are issuable upon the exercise of warrants and options and conversion of debt to common stock. These are excluded from computing the diluted net income (loss) per share at March 31, 2009 and 2008 as the effect of such shares would be anti-dilutive.

The following table sets forth the computation of basic earnings per share:

	Three months ended March 31, 2009
Net income (loss) for the period	\$ (1,286,715)
Weighted average number of shares outstanding	166,584,406
Weighted average number of common and common equivalent shares	166,584,406
Basic earnings per share	\$ (0.01)
	Three months ended March 31, 2009
Net profit for the period	\$ (1,286,715)
Add: Adjustment for interest and discount amortization on 4% convertible notes (previously computed)	
12% convertible notes and discount amortization	
Adjusted net profit	\$ (1,286,715)
Weighted average number of shares outstanding	166,584,406
Add: Weighted Average shares assumed to be issued upon conversion of 4% convertible notes as of the date of issuance (previously computed)	-
Warrants and options as of beginning of period	-
Warrants and options as of date of issue	-
12% convertible notes as of beginning of period	-
12% convertible notes as of date of issue	-
Weighted average number of common and common equivalent shares	166,584,406
Diluted earnings per share	\$ (0.01)

## 5. INCOME TAXES

An income tax benefit has not been recognized for operating losses generated in prior periods based on uncertainties concerning the ability to generate taxable income in future periods. The tax benefit as of the three months ended March 31, 2009 and 2008 is offset by a valuation allowance established against deferred tax assets arising from operating losses and other temporary differences, the realization of which could not be considered more likely than not. In future periods, tax benefits and related deferred tax assets will be recognized when management considers realization of such amounts to be more likely than not.

6. WORKING CAPITAL LINE OF CREDIT

At March 31, 2009, the Company had a \$3,000,000 working capital line of credit with Key Bank, interest payable monthly at the bank's prime lending rate less 0.25 percentage points (3.00% at March 31, 2009), maturing July 1, 2009. At March 31, 2009, the balance outstanding on the line of credit was \$1,510,210.

7. STOCK-BASED EMPLOYEE COMPENSATION

On January 5, 2009 the Company Board of Directors received and approved a written report and recommendations of the Compensation Committee which included a detailed executive equity compensation report and market analysis and the recommendations of Compensia, Inc., a management consulting firm that provides executive compensation advisory services to compensation committees and senior management of knowledge-based companies. The Compensation Committee used the report and analysis as a basis for its formal written recommendation to the board. Pursuant to a January 8, 2009 board resolution the 2009 Equity Incentive Plan (Executive), a Non-Qualified Stock Option Plan, was created and funded with 4,200,000 shares of \$0.001 par value common stock. The Compensation Committee was appointed as the Plan Administrator to manage the plan.

The 2009 Equity Incentive Plan (Executive) provides for the issuance of stock options to attract, retain and motivate executive and management employees and directors and to encourage these individuals to acquire an equity interest in the Company, to make monetary payments to certain management employees and directors based upon the value of the Company's stock and to provide these individuals with an incentive to maximize the success of the Company and further the interest of the shareholders. The 2009 Plan provides for the issuance of Incentive Non Statutory Options. The Administrator of the plan is authorized to determine the exercise price per share at the time the option is granted, but the exercise price shall not be less than the fair market value on the date the option is granted. Stock options granted under the 2009 Plan have a maximum duration of 10 years.

On May 15, 2008, the Board of Directors approved the Waytronx, Inc. 2008 Equity Incentive Plan ("2008 Plan") for 1,500,000 shares of the Company's common stock. The 2008 Plan provides for the issuance of stock options to attract, retain and motivate employees, to encourage employees, directors and independent contractors to acquire an equity interest in the Company, to make monetary payments to certain employees based upon the value of the Company's stock, and provide employees, directors and independent contractors with an incentive to maximize the success of the Company and further the interest of the shareholders. The 2008 Plan provides for the issuance of Incentive Stock Options and Non Statutory Options. The Administrator of the plan shall determine the exercise price per share at the time the option is granted, but the exercise price shall not be less than the fair market value on the date the option is granted. Stock options granted under the 2008 Plan have a maximum duration of 10 years.

On August 25, 2005, the Board of Directors approved the 2005 Equity Incentive Plan ("2005 Plan") for 2,000,000 shares of the Company's common stock. The 2005 Plan provides for the issuance of stock options to attract, retain and motivate employees, to encourage employees, directors and independent contractors to acquire an equity interest in the Company, to make monetary payments to certain employees based upon the value of the Company's stock, and provide employees, directors and independent contractors with an incentive to maximize the success of the Company and further the interest of the shareholders. The 2005 Plan provides for the issuance of Incentive Stock Options and Non Statutory Options. The Administrator of the plan shall determine the exercise price per share at the time the option is granted, but the exercise price shall not be less than the fair market value on the date the option is granted. Stock options granted under the 2005 Plan have a maximum duration of 10 years.

On June 26, 2000, the Company's Board of Directors adopted the OnScreen Technologies, Inc. 2000 Stock Option Plan (the "Plan"). The Plan provides for the issuance of incentive stock options (ISO's) to any individual who has been employed by the Company for a continuous period of at least six months. The Plan also provides for the issuance of Non Statutory Options (NSO's) to any employee who has been employed by the Company for a continuous period of at least six months, and any director or consultant to the Company. The Company may also issue reload options as defined in the plan. The total number of common shares of common stock authorized and reserved for issuance under the Plan is 600,000 shares. The Board shall determine the exercise price per share in the case of an ISO at the time an option is granted and such price shall be not less than the fair market value or 110% of fair market value in the case of a ten percent or greater stockholder. In the case of a NSO, the exercise price shall not be less than the fair market value of one share of stock on the date the option is granted. Unless otherwise determined by the Board, ISO's and NSO's granted under the Plan have a maximum duration of 10 years.

There were no non-vested stock options at December 31, 2008. The fair value of each stock option is estimated on the date of grant using a Black Scholes Pricing Model. During the three months ended March 31, 2009, the Company granted 15,000 stock options to employees under the 2008 Plan with the following assumptions; exercise price of \$0.19, volatility of 99%, risk free interest rate of 0.73% and a term of 2 years. During the three months ended March 31, 2009, the Company granted 2,550,273 stock options to employees and officers under the 2009 Equity Incentive Plan (Executive) with the following assumptions; exercise price of \$0.25, volatility of 99%, risk free interest rate of 0.76% and a term of 2 years. Additionally, the Company granted 1,458,000 un-vested stock options to directors under the 2009 Equity Incentive Plan (Executive) with the following assumptions; exercise price of \$0.25, volatility of 99%, risk free interest rate of 0.75% and a term of 2 years.

The following information is presented for the stock option activity for the three months ended March 31, 2009:

	Number of Warrants and Options	Weighted Average Exercise Price	Weighted Average Remaining Contract Life
Outstanding at December 31, 2008	5,270,000	\$ 0.13	6.55 years
Exercised	0	\$ 0.00	
Expired	-265,000	\$ 0.20	
Forfeited	-	\$ -	
Granted	4,023,273	\$ 0.25	
Outstanding at March 31, 2009	9,028,273	\$ 0.18	8.20 years
Outstanding exercisable at March 31, 2009	7,570,273	\$ 0.17	7.69 years

During the three months ended March 31, 2009, 490,000 shares of common stock were issued in relation to the exercise of warrants with proceeds of \$4,900.

The weighted average fair value of warrants and options granted during the periods are as follows:

	2009	2008
Exercise price lower than the market price	\$ -	N/A
Exercise price equaled the market price	\$ -	N/A
Exercise price exceeded the market price	\$ 0.19	N/A
Exercise price exceeded the market price	\$ 0.25	N/A

#### 8. NOTES PAYABLE

At December 31, 2007 eighteen-month secured convertible promissory notes totaling \$1,650,000 were outstanding and in default. In August 2008, the Company obtained extension of twelve months on all notes in default. At March 31, 2009, \$1,000,000 was included in Convertible notes payable, current portion due.

At December 31, 2007, twenty-four month secured promissory notes totaling \$1,100,000 were outstanding. \$1,000,000 of these promissory notes were from a related party. The \$1,000,000 outstanding at March 31, 2009, was included in notes payable, related party, current portion due. Interest accrues at 12% per annum, payable monthly, until the maturity of these notes at which time principal is due.

During the nine months ended September 30, 2008, 24-month unsecured convertible promissory notes totaling \$700,000 were entered into that had bonus shares attached totaling 700,000 shares of common stock. These shares had a fair value of \$125,653 using a Black Scholes Pricing Model. Interest accrues at 12% per annum, payable monthly, until the maturity of these notes at which time the principal is due. The note holders have the right to convert the note to common stock at \$0.25 per share at any time during the term of the note, and we recognized \$188,795 in Additional Paid-in Capital related to the beneficial conversion feature of these notes due to their immediate vesting. During the three months ended September 30, 2008, \$200,000 was paid back and \$50,000 was converted to equity. The \$350,000 outstanding at March 31, 2009, was included in Convertible notes payable, current portion due.

Additionally, the Company utilized three separate notes to fund the acquisition of CUI, Inc. A \$6,000,000 cash loan from Commerce Bank of Oregon, with a term of 3 years, paying interest only at the prime rate less 0.50% (4.50% at March 31, 2009), and is secured by personal Letters of Credit from related parties.

A \$14,000,000 promissory note to International Electronic Device, Inc. (formerly CUI, Inc.), payable monthly over three years at \$30,000 per month including 1.7% annual simple interest with a balloon payment at the thirty sixth monthly payment (May 15, 2011), with no prepayment penalty, an annual success fee of 2.3%, and the right of first refusal to the note payee, International Electronic Device, Inc., relating to any private capital raising transactions of Waytronx during the term of the note. There is a discount on debt related to this note of \$571,071. The current portion of this note is \$127,149. The net long term balance of this note is \$13,057,013.

A \$17,500,000 convertible promissory note with 1.7% annual simple interest and a 2.3% annual success fee, permitting payee to convert any unpaid principal, interest and success fee to Waytronx common stock at a per share price of \$0.25 and at the end of the three year term (May 15, 2011) giving to Waytronx the singular, discretionary right to convert any unpaid principal, interest and success fee to Waytronx common stock at a per share price of \$0.25. This note also provides a right of first refusal to the note payee, International Electronic Device, Inc., relating to any private capital raising transactions of Waytronx during the term of the note. There is a discount on debt related to this note of \$5,110,196. The net long term balance of this note is \$12,389,804.

Through the acquisition of CUI, Inc., the Company has a capital lease note payable of \$132,992 as of March 31, 2009. The current portion of the capital lease note is \$50,154 as of March 31, 2009. The capital lease note is related to office equipment and furniture and is secured by the same office equipment and furniture. The capital lease expires September 1, 2011.

9. COMMITMENTS

The Company contracts for the purchase of Yen at future dates in anticipation of inventory purchases. If the Company fails to acquire the Yen at the specified date for the contracted amount, it is obligated to pay the difference between the contract price and the current exchange price. The Company is able to regulate its purchases of inventory and maintains an adequate line of credit so that management does not anticipate a situation in which the Company would be unable to fulfill its obligation pursuant to any negotiated open futures contract. As of March 31, 2009, the Company does not have outstanding yen purchase contracts.

10. PREFERRED STOCK

During the three months ended March 31, 2009, there was no preferred stock activity.

11. SUBSEQUENT EVENTS

In April 2009, Waytronx and a debt holder, Central Finance, LLC, agreed to extend the term of \$1,000,000 of promissory notes payable to October 17, 2009.

In April 2009, Waytronx executed a licensing agreement to market the AMT encoder product line of rotation encoders utilizing capacitive sensor technology. The Company will pay a 15% royalty fee on sales of AMT products.

In April 2009, a licensing agreement entered into in October 2008 became effective when the product became ready for market. The licensing agreement provides the Company with the rights to market the C14 panel mount optical encoder that has a 2-bit quadrature resolution. The Company will pay a 15% royalty fee on sales of C14 products.

In May 2009, Waytronx and a debt holder, IED, Inc., agreed to amend the \$17,500,000 convertible promissory note related to the acquisition of CUI, Inc. by reducing the conversion rate from \$0.25 to \$0.07 per share to reflect the stock price for the ten day trailing average preceding April 24, 2009, the date of the agreement. The agreement specifically retains the total maximum convertible shares at 70,000,000 as stated in the original Note. This amendment effectively reduces the Note principal from \$17,500,000 to \$4,900,000.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

General

Management's discussion and analysis contains various "forward looking statements." Such statements consist of any statement other than a recitation of historical fact and can be identified by the use of forward-looking terminology such as "may," "expect," "anticipate," "estimate," or "continue" or use of negative or other variations or comparative terminology.

Waytronx cautions that these forward-looking statements are further qualified by important factors that could cause actual results to differ materially, are necessarily speculative, and there are certain risks and uncertainties that could cause actual events or results to differ materially from those referred to in such forward-looking statements.

Overview

Waytronx, Inc. has pioneered and is commercializing innovative thermal management solutions capable of revolutionizing the semiconductor, solar and electronic packaging industries, among others. This advanced technology involves the use of fluid displacement to move heat away from the source instead of traditional passive heat transference through solid materials. Utilizing its patented WayCool hybrid mesh architecture, Waytronx can enhance system performance and remove thermal barriers caused by "microwarming" in today's advanced computing devices. The Company's proprietary cooling solutions for central and graphics processors, solar energy devices and power supplies provide more cost effective and efficient thermal management to the electronics industry.

In May 2008, Waytronx formed a wholly owned subsidiary that acquired the assets of CUI, Inc., a provider of electromechanical components and industrial controls for OEM manufacturing. Since its inception in 1989, CUI has been delivering quality products, extensive application solutions, and superior personal service. CUI's solid customer commitment and honest corporate message are a hallmark in the industry.

During the three months ended March 31, 2009, Waytronx continued to incur losses from operations. A net loss of \$1,286,715 was incurred for the three months ended March 31, 2009. This net loss is primarily the result of interest expenses (both cash and non-cash) associated with debt.

Management has continued to raise the capital needed to fund the development and marketing of its products as well as the acquisition of CUI during 2008 and the first three months of 2009. During the three months ended March 31, 2009, proceeds of \$4,900 were raised from the exercise of warrants. These funds have assisted in the continuing development of products, in funding operations during development of the WayCool™ products and the efforts to license the manufacture and sales of these products, as well as funding the acquisition and operations of of CUI, Inc. The Company has also utilized the bank line of credit to fund operations. It is anticipated that Waytronx and CUI will continue to develop and expand its technology and product lines which may require additional funding.



## Intellectual Property

The Company relies on various intellectual property laws and contractual restrictions to protect its proprietary rights in products, logos and services. These include confidentiality, invention assignment, and nondisclosure agreements with employees, contractors, suppliers and strategic partners. The confidentiality and nondisclosure agreements with employees, contractors and suppliers are in perpetuity or for a sufficient length of time so as to not threaten exposure of proprietary information.

Waytronx continues to file and protect its intellectual property rights, trademarks and products through filings with the US Patent and Trademark Office and, as applicable, internationally.

## Liquidity and Capital Resources

### General

Cash and cash equivalents at March 31, 2009 are \$168,891, and there is net working capital deficit of \$71,799. Operations and investments in patents and equipment have been funded through cash from operations, the bank line of credit and proceeds from the exercise of warrants and options during the three month period.

### Cash used in operations

Operating requirements generated a negative cash flow from operations of \$433,961 for the three months ended March 31, 2009, versus \$632,311 for the same period last year. The decrease in cash used in operations is primarily the result of a decrease in stock, warrants, options and notes issued for compensation and services, increased non-cash interest expense, a decrease in bad debt expense, increase in depreciation, increase in trade accounts receivable, a decrease in inventory levels, increased prepaid expenses and other current assets, decreases in accounts payable, and decreases in accrued expenses and compensation.

During the first three months of 2009 stock options have been used as a form of payment to certain consultants, note holders, employees and directors. For the first three months of 2009 and 2008, a total of \$84,212 and \$196,208, respectively, was recorded for compensation and services expense including amortization of deferred compensation related to equity given, or to be given, to employees, directors and consultants for services provided.

As Waytronx continues to focus on the commercialization of its innovative thermal cooling technology during 2009 and the expansion of CUI product lines, it will continue to fund research and development related to the WayCool™ products and CUI products as well as sales and marketing efforts.

### Capital Expenditures and Investments

During the first three months of 2009 and 2008, there was \$21,263 and \$0 investment in property and equipment, respectively.

Waytronx invested \$901 in patent costs during the first three months of 2009 as compared to \$26,928 for the same period last year. It is expected that investment in patent costs will continue throughout 2009 as patents are pursued in order to protect the rights to use its product developments.

### Financing activities

During the first three months of 2009, \$136,217 of proceeds were received from the bank line of credit and \$4,900 was received from the exercise of warrants. The Company made payments on notes and loans payable of \$11,948 and on notes and loans payable, related party of \$103,353. Waytronx plans on raising the capital needed to fund the further development and marketing of its products as well as payment of its debt obligations.



#### Recap of liquidity and capital resources

The report of our independent registered public accounting firm on our financial statements as of December 31, 2008 contains an explanatory paragraph expressing substantial doubt with respect to our ability to continue as a going concern. Prior to the acquisition of CUI, Inc. the Company was not generating significant revenues to fund operations. Subsequent to the acquisition of CUI, Inc., management believes the Company is generating sufficient revenues to fund operations. As of March 31, 2009 the Company had an accumulated deficit of \$51,834,801.

The Company will seek to raise additional capital as needed for the commercialization of its WayCool technology product lines as well as the continued development and expansion of the CUI product lines and technology. As needed, the Company will attempt to raise these funds through borrowing instruments or issuing additional equity.

As of March 31, 2009 CUI, Inc. maintained a line of credit with Key Bank granting borrowings of up to \$3,000,000 with interest payable monthly at the bank's prime lending rate less 0.25 percentage points.

Management continues to commercialize and otherwise develop its proprietary WayCool and WayFast Technologies. Negotiations are continuing with BAE Systems, the North American Division of British Aerospace, to explore uses for the WayCool Thermal Management in several BAE/Government projects. While Management does not expect immediate commercial revenue from the technology, it is expected to generate significant research & development and non-recurring engineering revenues to the company in the next several months. There is no assurance that it will generate material revenues by that date or that revenues will be sufficient to cover all operating and other expenses.

The Company expects the revenues from CUI to help cover operating and other expenses for the next twelve months of operations. If revenues are not sufficient to cover all operating and other expenses, other funding will be required. There is no assurance that such additional capital will be able to be raised.

#### Results of Operations

##### Revenue

During the three months ended March 31, 2009 and 2008, revenue was \$6,125,050 and \$60,645, respectively. The revenue for the three months ended March 31, 2009 is comprised of \$6,060,901 from CUI products, \$37,647 for freight, and \$26,502 from RediAlert™ products. The revenue for the three months ended March 31, 2008 is comprised of \$58,975 from Living Window™ products and related add-ons, and \$1,670 from other income.

##### Cost of revenue

The cost of revenue for the three months ended March 31, 2009 and 2008, was \$3,656,155 and \$82,083, respectively.

##### Selling, General and Administrative Expenses

Selling, General and Administrative (SG&A) expenses include such items as wages, commissions, consulting, general office expenses, business promotion expenses and costs of being a public company, including legal and accounting fees, insurance, and investor relations.

For the three months ended March 31, 2009 compared to the same period in 2008, SG&A expenses increased \$1,767,166, with the majority of this increase associated with the acquisition of CUI and its operations.

#### Research and Development

The research and development costs are related to the technology for which Waytronx acquired the licensing rights as well as research and development expenses for CUI products. Research and development costs were \$83,399 and \$341,184, for the three months ended March 31, 2009 and 2008, respectively.

#### Bad Debt

The bad debt expense for the three months ended March 31, 2009 and 2008 was \$37,743 and \$91,500, respectively. The bad debt expense for the three months ended March 31, 2009, relates to miscellaneous customers. The bad debt expense for the three months ended March 31, 2008 relates to a note receivable from the settlement gain from Mobil Magic. Mobil Magic remains in default on the note, and Waytronx has not received a payment on this note since January of 2008. The Company has reserved fully for the note and is pursuing collection of the balance of \$91,500 but the outcome of the collections process is uncertain.

#### Other Income

Other income for the three months ended March 31, 2009, consisted of \$29,200 for services billed to a related party, \$6,818 for interest income, \$8,883 for foreign exchange gain, \$584 in other income and a loss on equity investment in affiliate of \$8,058.

#### Convertible debt and amortization of debt discount and debt offering costs

The Company recorded an expense of \$838,771 for the three months ended March 31, 2009, and \$58,967 for the same periods in 2008, for the amortization of debt discount and debt offering costs. The increased expense in 2009 of \$779,804 for the three month period was due to the increase in debt used to fund the acquisition of CUI, Inc.

#### Interest Expense

The interest expense of \$461,926 and \$83,313 for the three months ended March 31, 2009 and 2008, respectively, is for interest on the secured convertible notes payable, bank operating line of credit, and secured and unsecured promissory notes. The increase as compared to the prior year period is related to the notes associated with the acquisition of CUI, Inc. and debt obtained during 2008 to fund the operations of Waytronx.

#### Preferred Stock Dividends

No preferred dividend expense was recorded by the Company during the three months ended March 31, 2009 and 2008, as during 2006 all Series A and B Convertible Preferred shareholders accepted the Company's offer to receive all outstanding dividends through March 2006 in either cash or common shares at a per share price of \$0.20.

#### Critical Accounting Policies

Our financial statements and related public financial information are based on the application of accounting principles generally accepted in the United States ("GAAP"). GAAP requires the use of estimates; assumptions, judgments and subjective interpretations of accounting principles that have an impact on the assets, liabilities, revenue and expense amounts reported. These estimates can also affect supplemental information contained in our external disclosures including information regarding contingencies, risk and financial condition. We believe our use of estimates and underlying accounting assumptions adhere to GAAP and are consistently and conservatively applied. We base our estimates on historical experience and on various other assumptions that we believe to be reasonable under the circumstances. Actual results may differ materially from these estimates under different assumptions or conditions. We continue to monitor significant estimates made during the preparation of our financial statements.



Our significant accounting policies are summarized in Note 2 of our financial statements. While all these significant accounting policies impact its financial condition and results of operations, we view certain of these policies as critical. Policies determined to be critical are those policies that have the most significant impact on our financial statements and require management to use a greater degree of judgment and estimates. Actual results may differ from those estimates. Our management believes that given current facts and circumstances, it is unlikely that applying any other reasonable judgments or estimate methodologies would cause effect on our results of operations, financial position or liquidity for the periods presented in this report.

#### Recent Accounting Pronouncements

In December 2007, the Financial Accounting Standards Board (FASB) issued SFAS No. 160, “Noncontrolling Interests in Consolidated Financial Statements – an amendment of ARB No. 51”. This statement improves the relevance, comparability, and transparency of the financial information that a reporting entity provides in its consolidated financial statements by establishing accounting and reporting standards that require; the ownership interests in subsidiaries held by parties other than the parent and the amount of consolidated net income attributable to the parent and to the noncontrolling interest be clearly identified and presented on the face of the consolidated statement of income, changes in a parent’s ownership interest while the parent retains its controlling financial interest in its subsidiary be accounted for consistently, when a subsidiary is deconsolidated, any retained noncontrolling equity investment in the former subsidiary be initially measured at fair value, entities provide sufficient disclosures that clearly identify and distinguish between the interests of the parent and the interests of the noncontrolling owners. SFAS No. 160 affects those entities that have an outstanding noncontrolling interest in one or more subsidiaries or that deconsolidate a subsidiary. SFAS No. 160 is effective for fiscal years, and interim periods within those fiscal years, beginning on or after December 15, 2008. Early adoption is prohibited. The adoption of this statement did not have a material effect on the Company’s financial statements.

In March 2008, the FASB issued SFAS No. 161, “Disclosures about Derivative Instruments and Hedging Activities, an amendment of FASB Statement No. 133” (SFAS 161). This statement is intended to improve transparency in financial reporting by requiring enhanced disclosures of an entity’s derivative instruments and hedging activities and their effects on the entity’s financial position, financial performance, and cash flows. SFAS 161 applies to all derivative instruments within the scope of SFAS 133, “Accounting for Derivative Instruments and Hedging Activities” (SFAS 133) as well as related hedged items, bifurcated derivatives, and nonderivative instruments that are designated and qualify as hedging instruments. Entities with instruments subject to SFAS 161 must provide more robust qualitative disclosures and expanded quantitative disclosures. SFAS 161 is effective prospectively for financial statements issued for fiscal years and interim periods beginning after November 15, 2008, with early application permitted. The adoption of this statement did not have a material effect on the Company’s financial statements.

In May 2008, the FASB issued SFAS No. 162, "The Hierarchy of Generally Accepted Accounting Principles." SFAS No. 162 identifies the sources of accounting principles and provides entities with a framework for selecting the principles used in preparation of financial statements that are presented in conformity with GAAP. The current GAAP hierarchy has been criticized because it is directed to the auditor rather than the entity, it is complex, and it ranks FASB Statements of Financial Accounting Concepts, which are subject to the same level of due process as FASB Statements of Financial Accounting Standards, below industry practices that are widely recognized as generally accepted but that are not subject to due process. The Board believes the GAAP hierarchy should be directed to entities because it is the entity (not its auditors) that is responsible for selecting accounting principles for financial statements that are presented in conformity with GAAP. SFAS 162 is effective 60 days following the SEC's approval of PCAOB Auditing Standard No. 6, Evaluating Consistency of Financial Statements (AS/6). The adoption of FASB 162 is not expected to have a material impact on the Company's financial position.

In May 2008, the FASB issued SFAS No. 163, "Accounting for Financial Guarantee Insurance Contracts-an interpretation of FASB Statement No. 60." Diversity exists in practice in accounting for financial guarantee insurance contracts by insurance enterprises under FASB Statement No. 60, Accounting and Reporting by Insurance Enterprises. This results in inconsistencies in the recognition and measurement of claim liabilities. This Statement requires that an insurance enterprise recognize a claim liability prior to an event of default (insured event) when there is evidence that credit deterioration has occurred in an insured financial obligation. This Statement requires expanded disclosures about financial guarantee insurance contracts. The accounting and disclosure requirements of the Statement will improve the quality of information provided to users of financial statements. SFAS 163 is effective for financial statements issued for fiscal years beginning after December 15, 2008, and interim periods within those fiscal years. The adoption of FASB 163 did not have a material impact on the Company's financial position.

#### Off-Balance Sheet Arrangements

None.

#### Item 3. Quantitative and Qualitative Disclosure about Market Risk

A smaller reporting company, as defined by Rule 229.10(f)(1), is not required to provide the information required by this Item.

#### Item 4T. Controls and Procedures

Within 90 days prior to the filing of this report, the Company carried out an evaluation, under the supervision and with the participation of its management, including the Chief Executive Officer and Chief Financial Officer, of the design and operation of its disclosure controls and procedures. Based on this evaluation, the Company's Chief Executive Officer and Chief Financial Officer concluded that the Company's disclosure controls and procedures are effective for the gathering, analyzing and disclosing the information the Company is required to disclose in the reports it files under the Securities Exchange Act of 1934, within the time periods specified in the SEC's rules and forms. There have been no significant changes in the Company's internal controls or in other factors that could significantly affect internal controls subsequent to the date of this evaluation.

(a) Our management, including the principal executive officer and principal financial officer, do not expect that our disclosure controls and procedures will prevent all error and fraud. A control system, no matter how well conceived and operated, can only provide reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within our Company have been detected. These inherent limitations include the realities that judgments in decision-making can

be faulty, and that breakdowns can occur because of simple error or mistake. Additionally, controls can be circumvented by the individual acts of some persons, collusion of two or more people, or by management override of the control. The design of any system of controls also is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions.

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(b) Changes in internal controls over financial reporting.

We have not identified any significant deficiency or material weaknesses in our internal controls, and therefore there were no corrective actions taken.

PART II – OTHER INFORMATION

Item 1. Legal Proceedings.

None.

Item 1A: Risk Factors.

A smaller reporting company is not required to provide the information required by this Item.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.

The Company relied on Section 4(2) of the Securities Act of 1933 as the basis for an exemption from registration for the following issuances.

Common Stock Issued

During the three months ended March 31, 2009, the Company issued the following common stock:

490,000 shares of common stock were issued in relation to the exercise of warrants with proceeds of \$4,900.

Item 3. Defaults upon Senior Securities.

None.

Item 4. Submission of Matters to a Vote of Security Holders.

None.

Item 5. Other Information.

Nominating Committee

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The nominating committee consists of all of the members of the Board of Directors who are "independent directors" within the meaning of Rule 4200(a)(15) of the Nasdaq Stock Market. The nominating committee is responsible for the evaluation of nominees for election as director, the nomination of director candidates for election by the shareholders and evaluation of sitting directors. The Board has not developed a formal policy for the identification or evaluation of nominees. In general, when the Board determines that expansion of the Board or replacement of a director is necessary or appropriate, the nominating committee will review, through candidate interviews with members of the Board and management, consultation with the candidate's associates and through other means, a candidate's honesty, integrity, reputation in and commitment to the community, judgment, personality and thinking style, willingness to invest in the Company, residence, willingness to devote the necessary time, potential conflicts of interest, independence, understanding of financial statements and issues, and the willingness and ability to engage in meaningful and constructive discussion regarding Company issues. The committee would review any special expertise, for example, that qualifies a person as an audit committee financial expert, membership or influence in a particular geographic or business target market, or other relevant business experience. To date the Company has not paid any fee to any third party to identify or evaluate, or to assist it in identifying or evaluating, potential director candidates.

The nominating committee will consider director candidates nominated by shareholders during such times as the Company is actively considering obtaining new directors. Candidates recommended by shareholders will be evaluated based on the same criteria described above. Shareholders desiring to suggest a candidate for consideration should send a letter to the Company's Secretary and include: (a) a statement that the writer is a shareholder (providing evidence if the person's shares are held in street name) and is proposing a candidate for consideration; (b) the name and contact information for the candidate; (c) a statement of the candidate's business and educational experience; (d) information regarding the candidate's qualifications to be director, including but not limited to an evaluation of the factors discussed above which the Board would consider in evaluating a candidate; (e) information regarding any relationship or understanding between the proposing shareholder and the candidate; (f) information regarding potential conflicts of interest; and (g) a statement that the candidate is willing to be considered and willing to serve as director if nominated and elected. Because of the small size of the Company and the limited need to seek additional directors, there is no assurance that all shareholder proposed candidates will be fully considered, that all candidates will be considered equally, or that the proponent of any candidate or the proposed candidate will be contacted by the Company or the Board, and no undertaking to do so is implied by the willingness to consider candidates proposed by shareholders.

#### Item 6. Exhibits and Reports on Form 8-K

##### Exhibits

The following exhibits are included as part of this Form 10-Q.

Exhibit No.	Description
3.11	Amended Articles of Incorporation
3.21	Bylaws of the Registrant.
3.32	Articles of Amendment to Certificate of Incorporation - Certificate of Designations, Preferences, Limitations and Relative Rights of the Series A Preferred Stock, filed July 25, 2002.
3.42	Articles of Amendment to Articles of Incorporation-Terms of Series A Convertible Preferred Stock, filed November 13, 2003.

- 3.52 Restated Articles of Incorporation to increase the authorized common stock to 150,000,000 shares, filed December 23, 2003.
- 3.62 Restated Articles of Incorporation - Certificate of Designations of the Series B Convertible Preferred Stock, filed April 1, 2004.
- 3.74 Restated Articles of Incorporation, Officers' Certificate and Colorado Secretary of State Certificate filed June 30, 2004 showing corporate name change to OnScreen Technologies, Inc.
- 3.87 Restated Articles of Incorporation and Colorado Secretary of State Certificate filed January 7, 2008 showing corporate name change to Waytronx, Inc.
- 3.98 Restated Articles of incorporation to increase the authorized common shares to 325,000,000 shares.
- 4.11 Investment Agreement dated May 19, 2000 by and between the Registrant and Swartz Private Equity, LLC.
- 4.21 Form of "Commitment Warrant" to Swartz Private Equity, LLC for the purchase of 1,000,000 shares common stock in connection with the offering of securities.
- 4.31 Form of "Purchase Warrant" to purchase common stock issued to Swartz Private Equity, LLC from time to time in connection with the offering of securities.
- 4.41 Warrant Side-Agreement by and between the Registrant and Swartz Private Equity, LLC.
- 4.51 Registration Rights Agreement between the Registrant and Swartz Private Equity, LLC related to the registration of the common stock to be sold pursuant to the Swartz Investment Agreement.
- 10.12 Employment Agreement between the Registrant and John Thatch dated November 2, 1999.
- 10.22 Contract and License Agreement between the Registrant and John Popovich, dated July 23, 2001.
- 10.32 Agreement by and among the Registrant, John Popovich and Fusion Three, LLC, dated January 14, 2004.
- 10.42 Letter Agreement between the Registrant and John Popovich, dated January 15, 2004.
- 10.52 Master Settlement and Release Agreement by and among the Registrant, Fusion Three, LLC, Ryan Family Partners, LLC, and Capital Management Group, Inc., dated February 3, 2004.
- 10.62 First Amendment to Contract and License Agreement, dated February 3, 2004.
- 10.72 Employment Agreement between the Registrant and Mark R. Chandler, COO/CFO, dated December 16, 2003.
- 10.82 Employment Agreement between the Registrant and Stephen K. Velte, CTO dated November 7, 2003.
- 10.95 Letter of Intent for Sale and Purchase of Certain Intellectual Property dated June 10, 2005 with Extension of Letter of Intent dated October 12, 2005.
- 10.103 Consulting Services Agreement by and among the Registrant, David Coloris, Excipio Group, S.A., dated November 22, 2003.
- 10.112 Commission Agreement between the Registrant and Gestibroker dated September 12, 2003.
- 10.122 Addendum to Safety Harbor office, Suite 210, Lease Agreement dated February 1, 2004.
- 10.134 Safety Harbor, Florida office, Suite 130, Lease Agreement dated October 15, 2004.
- 10.144 Second Addendum to the Employment Agreement of John "JT" Thatch dated February 3, 2004.
- 10.152 Lockup Agreement between the Registrant and Excipio Group, S.A., dated December 22, 2003.
- 10.162 Agreement between the Registrant and Visual Response Media Group, Inc., dated February 3, 2004.

- 10.174 Assignment, dated February 16, 2005, of Registrant's technology patents ownership from inventor to CH Capital
- 10.184 Assignment, dated February 16, 2005, of Registrant's technology patents ownership from CH Capital to Company.
- 10.194 Contract between SMTC Manufacturing Corporation and Registrant dated November 9, 2004
- 10.204 Technology Reseller Agreement between eLutions, Inc. and Company dated January 31, 2005
- 10.214 Third Addendum to the Employment Agreement of John "JT" Thatch dated March 28, 2005.
- 10.224 Promissory Note dated March 25, 2005 evidencing \$1,500,000 unsecured short term loan to Registrant.
- 10.235 OnScreen Technologies, Inc. 2005 Equity Incentive Plan
- 10.246 Employment Agreement between the Registrant and Charles R. Baker dated November 21, 2005.
- 10.256 Employment Agreement between the Registrant and William J. Clough, Esq. dated November 21, 2005.
- 13.1 Annual Report on Form 10-KSB for the fiscal year ended December 31, 2005 filed February 24, 2006.
- 13.2 Annual Report on Form 10-KSB for the fiscal year ended December 31, 2006 filed April 2, 2007.
- 14.15 Registrant's Code of Ethics for Principal Executive and Financial Officers and Code of Ethics and Business Conduct Statement of General Policy.
- 21.1 8-KA designating and describing CUI, Inc. as a wholly owned subsidiary of the Registrant filed with the Commission May 21, 2008.
- 22.1 Proxy Statement and Notice of 2006 Annual Shareholder Meeting filed September 29, 2006.
- 22.2 Proxy Statement and Notice of Special Meeting of Shareholders to increase the number of authorized common shares from 150,000,000 to 200,000,000 filed May 19, 2006
- 22.3 Proxy Statement and Notice of 2007 Annual Shareholder Meeting filed November 6, 2007.
- 22.4 Proxy Statement and Notice of 2008 Annual Shareholder Meeting filed July 8, 2008.
- 31.19 Certification of Chief Executive Officer pursuant to Exchange Act Rules 13a-15(e) and 15d-15(e), as adopted pursuant to Section 203 of the Sarbanes-Oxley Act of 2002.
- 31.29 Certification of Chief Financial Officer pursuant to Exchange Act Rules 13a-15(e) and 15d-15(e), as adopted pursuant to Section 203 of the Sarbanes-Oxley Act of 2002.
- 32.19 Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
- 32.29 Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

Footnotes to Exhibits:

- 1 Incorporated by reference to our Registration Statement on Form SB-2/A filed with the Commission on October 26, 2001.
- 2 Incorporated by reference to our Report on Form 10-KSB filed with the Commission on April 14, 2004.
- 3 Incorporated by reference to our Report on Form S-8 filed with the Commission on January 15, 2004.
- 4 Incorporated by reference to our Report on Form 10-KSB filed with the Commission on March 31, 2005.

- 5 Incorporated by reference to our Proxy Statement pursuant to Section 14(a) filed October 7, 2005.
- 6 Incorporated by reference to our Report on Form 10-KSB filed with the Commission on February 24, 2006.
- 7 Incorporated by reference to our Registration Statement on Form S-8 filed March 12, 2008
- 8 Filed with our Report on Form 10-K filed with the Commission on March 30, 2009.

Reports on Form 8-K.

No reports on Form 8-K were filed during the quarter ending March 31, 2009

#### SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Signed and submitted this 8th day of May 2009.

Waytronx, Inc.

By: /s/ William J. Clough  
William J. Clough,  
Chief Executive Officer/President

by: /s/ Daniel N. Ford  
Daniel N. Ford,  
Chief Financial Officer